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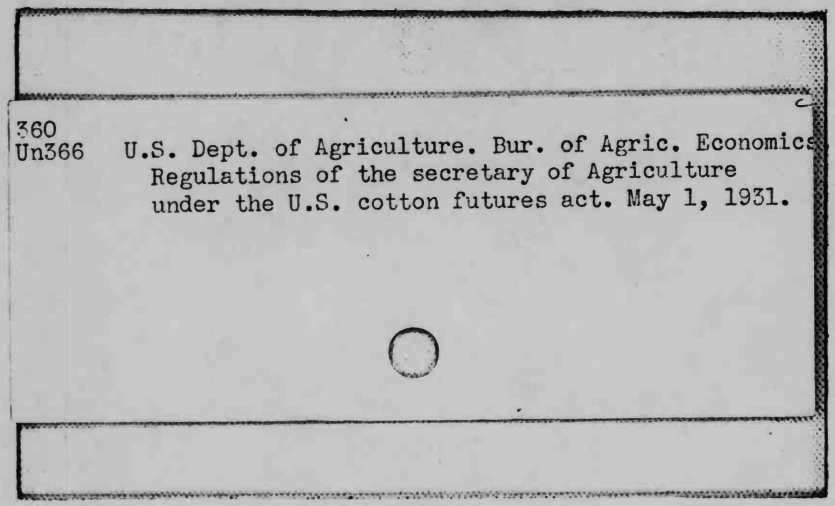
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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

Service and Regulatory Announcements No. 124

REGULATIONS OF THE SECRETARY OF AGRICULTURE UNDER THE UNITED STATES COTTON FUTURES ACT

Effective May 1, 1931

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United States Department of Agriculture

BUREAU OF AGRICULTURAL ECONOMICS

SERVICE AND REGULATORY ANNOUNCEMENTS NO. 124

REGULATIONS OF THE SECRETARY OF AGRICULTURE UNDER THE UNITED STATES COTTON FUTURES ACT[1]

Effective May 1, 1931

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By virtue of the authority vested in the Secretary of Agriculture by the United States cotton futures act of August 11, 1916, as amended March 4, 1919 (U. S. C., title 26, secs. 731–752); May 31, 1920, (41 Stat. 725); and February 26, 1927 (U. S. C., Supp. IV, title 26, sec. 736), I, Arthur M. Hyde, Secretary of Agriculture, do prescribe, publish, and give public notice of the following regulations, to be in force and effect on and after May 1, 1931, and until amended or superseded by regulations hereafter made by the Secretary of Agriculture under said act.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the City of Washington this 27th day of April, 1931.

[SEAL.]

ARTHUR M. HYDE,
Secretary of Agriculture.

Regulation 1.—Definitions

SECTION 1. Words used in these regulations in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

SEC. 2. As used throughout these regulations, unless the context otherwise require, the following terms shall be construed, respectively, to mean—

Paragraph 1. The act.—The United States cotton futures act, approved August 11, 1916, as amended from time to time.

Par. 2. Exchange.—Exchange, board of trade, or similar institution or place of business, at, on, or in which a section 5 contract may be made.

Par. 3. Section 5 contract.—Contract of sale of cotton for future delivery mentioned in the act, made at, on, or in any exchange in compliance with section 5 of the act.

Par. 4. Person.—Individual, association, partnership, or corporation.

[1] This supersedes Service and Regulatory Announcements No. 105 (Agricultural Economics).

Par. 5. Owner.—Person who owns, controls, or has the disposition of any cotton.

Par. 6. Bureau.—Bureau of Agricultural Economics of the United States Department of Agriculture.

Par. 7. Exchange inspection bureau.—The inspection bureau of the New York Cotton Exchange, the New Orleans Cotton Exchange, the Board of Trade of the city of Chicago, or of any other exchange which may have an organized inspection bureau recognized as such by the chief of the bureau, as the case may be.

Par. 8. Board of cotton examiners.—A board of cotton examiners established under the act at any point.

Par. 9. Appeal board of review examiners.—The appeal board of review examiners at Washington, D. C.

Regulation 2.—General

SECTION 1. The inspection, sampling, and classification of cotton pursuant to section 5 of the act as amended shall be performed as prescribed in these regulations. All tenders of cotton and settlements therefor under section 5 contracts shall be made subject to these regulations. No contract shall for the purposes of these regulations be deemed to comply with section 5 of the act as amended if it contain or incorporate therein, by reference or otherwise, any provision or any by-law, rule, or custom of an exchange which is inconsistent or in conflict with any requirement of said section 5, nor if the parties enter into any collateral or additional agreement or understanding, either verbal or written, respecting the subject matter of such contract which is inconsistent or in conflict with any requirement of said section 5.

SEC. 2. Nothing in these regulations shall be construed as relieving any party to a section 5 contract of any obligation imposed upon him, or as depriving him of any right to which he may be entitled, under any provision of the contract or exchange rule made a part thereof which shall not be inconsistent with the act as amended or the regulations made under the act.

SEC. 3. Any amendment to these regulations, unless otherwise stated therein, shall apply to all tenders of cotton and settlements therefor made on and after the effective date of such amendment, under section 5 contracts entered into prior, as well as subsequent, to such effective date.

SEC. 4. Publications under the act and these regulations may be made in service and regulatory announcements of the bureau and by such other means as the chief of the bureau shall from time to time designate for the purpose.

SEC. 5. As far as applicable, these regulations shall have the same force and effect for the purposes of section 6A as for the purposes of section 5 of the act.

Regulation 3.—Administration

SECTION 1. The chief of the bureau is charged with the supervision on behalf of the United States Department of Agriculture of the performance of all duties arising in the administration of the United States cotton futures act.

SEC. 2. There shall be located at New Orleans, La., and, when necessary in the opinion of the chief of the bureau, at any other point that he shall designate for the purpose, a board of cotton examiners. The members of such boards and the chairman of each shall be designated for the purpose by the chief of the bureau. The appeal board of review examiners established at Washington, D. C., is authorized to review the classification of any cotton in accordance with regulation 10 of these regulations. A board of supervising cotton examiners shall be constituted for duty as assigned.

SEC. 3. The chief of the bureau whenever he deems necessary may designate an official or employee of the Department of Agriculture as supervisor of cotton inspection, who shall supervise the inspection and sampling, and the preparation of samples of cotton, for classification by a board of cotton examiners, and perform such other duties as may be required of him, for the purposes of these regulations. The chairman of the board of cotton examiners may employ temporary assistants for such period as the volume of the work may require and designate them as deputy supervisors, with full authority to perform the duties of supervisor of cotton inspection, in accordance with sections 3 and 5 of regulation 11.

SEC. 4. Subject to these regulations and the instructions of the chief of the bureau, the chairman of each board of cotton examiners shall be responsible for the proper performance of the duties imposed on such board and on the persons connected therewith.

Regulation 4.—Classification Requests

SECTION 1. For each lot or mark of cotton of which the applicant desires separate classification and certification he shall make a separate written request in a form prescribed or supplied by the bureau for that purpose.

SEC. 2. Such classification request shall include the name of the exchange under the rules of which it is contemplated that delivery of such cotton may be made; and the lot number, if any, the marks, the number of bales, the location, the name of the owner of the cotton for whose account the classification is requested, and where necessary other information, under oath or otherwise, may be required by the chief of the bureau or the chairman of the board of cotton examiners. The form in which such additional information shall be furnished may be prescribed by the chief of the bureau or the chairman of the board of cotton examiners. The classification request shall be signed by the owner, or in his behalf by his agent. Such agent may, if authorized for the purpose, be the inspector in chief of the exchange inspection bureau by which the cotton is inspected and sampled.

SEC. 3. If there is a board of cotton examiners at the point at which it is contemplated that delivery of the cotton shall be made, such classification request, unless otherwise directed by the chief of the bureau, shall be filed with the chairman of the board of cotton examiners at such point. If there is no board of cotton examiners at the point of contemplated delivery, the request shall be filed with the supervisor of cotton inspection at such point. It shall be so filed within one year after the date upon which the samples were drawn from the cotton involved and before the classification of such cotton.

SEC. 4. Any classification request may be withdrawn by the applicant at any time before the classification of the cotton covered thereby, subject to the payment of such fees, if any, as may be prescribed pursuant to regulation 12. Any classification request may be rejected for noncompliance with the act or these regulations.

Regulation 5.—Inspection and Samples

SECTION 1. The inspection and sampling and the preparation of samples of cotton of which classification is desired shall be subject to the supervision and in accordance with the instructions of a supervisor of cotton inspection or a cotton examiner whose duties include such supervision.

SEC. 2. The owner of the cotton shall cause the cotton to be made available to such supervisor or cotton examiner for such examination as may be necessary for the purposes of its classification, and shall take such steps as may be necessary to secure its proper inspection and sampling and the proper preparation and delivery of representative samples thereof at the place designated therefor, in accordance with these regulations, without expense to the Department of Agriculture.

SEC. 3. No person shall, after notice to the interested parties, be employed in any way in connection with any phase of the inspection and sampling of cotton, or the preparation of the samples thereof, for the purposes of classification under these regulations, who for good cause is disapproved by the chief of the bureau.

SEC. 4. No cotton covered by a classification request filed as provided in these regulations shall be rejected by any person other than a cotton examiner, on account of grade or staple or otherwise, unless the request for the classification of the cotton so rejected shall be withdrawn by the person by whom it was made.

SEC. 5. One sample shall be drawn from the top side of each bale and one from the bottom side. Each such sample shall weigh not less than 5 ounces, the two samples from each bale to weigh together not less than 10 ounces. The head of the bale shall be properly inspected, and any conditions not fully indicated by the samples shall be specified by the inspector or the sampler of the cotton in a written memorandum, which shall accompany the samples to the board of cotton examiners.

SEC. 6. The samples from each bale shall be prepared as specified in this section. The sample from the top side and the sample from the bottom side shall each be broken into two parts across the layers, without separating the layers. One part of the sample from the top side shall be placed with a part of the sample from the bottom side, making two sets of samples from each bale. One of such sets shall weigh as nearly as possible 6 ounces, equally divided between the two parts thereof representing the two sides of the bale. There shall be placed in each such set of samples between the two sides thereof a coupon showing the number of the tag attached to the bale from which such samples were drawn. The 6-ounce set of samples from each bale shall be called the original and the other set the duplicate.

SEC. 7. The original sets of samples of the bales constituting a lot or mark to be classified separately shall be inclosed in one or more wrappers or containers, as the case may require. The wrappers or containers of original samples shall be so labeled or marked, or both, as to show that they contain original samples, together with the lot number, if any, the marks, and the number of bales, and such other information as may be necessary in accordance with the instructions of the chairman of the board to which the samples are to be delivered or the chief of the bureau.

SEC. 8. The duplicate sets of samples shall be inclosed in wrappers or containers separate and apart from the original sets in the manner prescribed for original samples in the foregoing section, except that the wrappers or containers shall be labeled or marked, or both, so as to show that they contain duplicate samples.

SEC. 9. The original samples shall be delivered to the board of cotton examiners with which the classification request was filed, at its classification room, or shall be delivered at such other place as may be designated for the purpose by the chairman of the board or the chief of the bureau. No samples covered by pending classification requests which are ready for delivery as provided herein shall be withheld from such delivery except as authorized in writing by such chairman or the chief of the bureau. The duplicate samples shall be delivered to the person requesting the classification of the cotton involved.

SEC. 10. In addition to the samples hereinbefore prescribed, separate samples, if desired, may be drawn and furnished to the owner of the cotton.

SEC. 11. All persons in any way connected with the inspection and sampling and handling of samples of cotton for the purpose of classification pursuant to these regulations shall carefully handle them in such manner as not to cause loss of sand therefrom or any change otherwise in their representative character.

SEC. 12. Any sample or set of samples which does not meet the requirements of these regulations or which does not correctly represent the bale or bales from which drawn may be rejected by a supervisor of cotton inspection or a cotton examiner whose duties include the supervision or examination of such cotton. Whenever the supervisor of cotton inspection or the chairman of the board shall find it necessary in order to determine the true classification of any bale, such bale shall be reinspected and, if necessary, resampled, and the new samples shall be delivered at the place designated therefor in accordance with these regulations.

SEC. 13. The original samples may be removed by the holder of the cotton class certificate covering the same at any time within two weeks (*a*) after such certificate becomes invalid as provided in section 8 of regulation 7, or (*b*) after the certificate has been surrendered for cancellation without the issuance of a new certificate in lieu thereof: *Provided*, That the chairman of the board may for good cause permit the removal of samples in accordance with this section without the surrender of the certificate for cancellation. If the cotton covered by such certificate is classified as untenderable, the holder shall be allowed only two weeks from the date of the certificate within which to remove the samples; and in cases where part of a lot of cotton represented by one cotton class certificate is removed from the certified stock of any market and the bales so removed are canceled from such certificate at the request of the holder thereof in accordance with section 4 of regulation 7, the request for the return of samples of the bales so canceled shall be made within two weeks of the date of such cancellation, in which case notice shall be given to the person making the request of the time when the samples are ready for removal and they shall be actually removed within two business days following such notification.

SEC. 14. In case a classification request shall be withdrawn prior to the classification of the cotton pursuant thereto, the applicant may, within two weeks after the date of such withdrawal, remove any samples of the cotton involved then in the possession of the Department of Agriculture.

SEC. 15. Samples not removed in accordance with this regulation shall be disposed of in accordance with section 7 of regulation 12.

Regulation 6.—Classification

SECTION 1. For the purposes of section 5 of the act the classification of any cotton shall be determined only by cotton examiners designated as such by the chief of the bureau.

SEC. 2. All cotton for which classification requests shall be pending shall be classified as far as practicable in the order in which proper samples thereof, ready for such classification, shall have been delivered to the board of cotton examiners whose duties include the examination thereof, except as otherwise provided in these regulations or when the chairman of the board or the chief of the bureau shall find that an emergency exists and shall order otherwise.

SEC. 3. Such classification shall not proceed until the samples, after being delivered to the board, shall have been exposed for such length of time as in the judgment of the chairman shall be sufficient to put them in proper condition for the purpose.

SEC. 4. Such classification shall proceed as rapidly as possible, but not when light or other conditions make uncertain the accuracy of the results to be obtained.

SEC. 5. In case a sample drawn from one portion of a bale is lower in class than one drawn from another portion of such bale, except as otherwise provided in these regulations, the classification of the bale shall be that of the sample showing the lower class.

SEC. 6. All cotton whether tenderable or untenderable shall be classified on the basis of the official cotton standards of the United States in effect at the time of such classification: *Provided however*, That it shall be deemed a sufficient compliance with this section if cotton of tenderable length of staple shall be classified in steps of sixteenths of an inch.

SEC. 7. If cotton be reduced in value, by reason of the presence of extraneous matter of any character or irregularities or defects below its grade or below its apparent length of staple according to the official cotton standards of the United States, the grade or length of staple from which it is so reduced, and the grade or length of staple to which it is so reduced, and the quality or condition which so reduces its value, shall be determined and stated.

SEC. 8. For the purposes of classification the following terms shall be construed, respectively, to mean—

(*a*) *Cotton of perished staple.*—Cotton that has had the strength of fiber as ordinarily found in cotton destroyed or unduly reduced through exposure to the weather either before picking or after baling, or through heating by fire, or on account of water packing, or by other causes.

(*b*) *Cotton of immature staple.*—Cotton that has been picked and baled before the fiber has reached a normal state of maturity, resulting in a weakened staple of inferior value.

(*c*) *Gin cut cotton.*—Cotton that shows damage in ginning, through cutting by the saws, to an extent that reduces its value more than two grades.

(*d*) *Reginned cotton.*—Cotton that has passed through the ginning process more than once, and cotton that, after having been ginned, has been subjected to a cleaning process and then baled.

(*e*) *Repacked cotton.*—Cotton that is composed of factors', brokers', or other samples, or of loose or miscellaneous lots collected and rebaled, or cotton in a bale which is composed of a part of a larger bale or of two or more smaller bales or parts of bales.

(*f*) *False packed cotton.*—Cotton in a bale (1) containing substances entirely foreign to cotton, (2) containing damaged cotton in the interior with or without any indication of such damage upon the exterior, (3) composed of good cotton upon the exterior and decidedly inferior cotton in the interior, in such manner as not to be detected by customary examination—that is, a plated bale—or (4) containing pickings or linters worked into the bale.

(*g*) *Mixed packed cotton.*—Cotton in a bale which, in the samples drawn therefrom (1) shows a difference of two grades or more, if of the same color;

or (2) if of the same grade but of different colors, is blue stained and either white, spotted, yellow tinged, light stained, or yellow stained, or which, if none is blue stained, shows a difference of two or more color gradations; or (3) if the samples are of different grade and different color and show a variation in quality exceeding that between one grade in one color and the next higher or lower grade in the next higher or lower color; or (4) shows a difference in length of staple exceeding one-sixteenth of an inch.

(*h*) *Water packed cotton.*—Cotton in a bale that has been penetrated by water during the baling process, causing damage to the fiber, or a bale that through exposure to the weather or by other means, while apparently dry on the exterior, has been damaged by water in the interior.

Regulation 7.—Cotton Class Certificates

SECTION 1. As soon as practicable after the classification of cotton has been completed by a board of cotton examiners it shall issue cotton class certificates showing the results of such classification. Each certificate shall bear the date of its issuance and shall be signed by the chairman of the board that classified the cotton. The certificate shall show the identification of the cotton according to the information in the possession of the board, the classification of the cotton according to its grade and length of staple, and such other facts as the chief of the bureau shall require.

SEC. 2. *Paragraph 1.*—For each lot of cotton or part thereof classified by the board as tenderable on a section 5 contract it shall issue a separate certificate, which shall be distinctly different in color from one for cotton found to be untenderable on such contract, except as otherwise provided in this regulation. Such certificates shall be consecutively numbered in separate series for each exchange. They shall show only cotton classified according to the grades specified in this section which is seven-eighths of an inch or more in length of staple:

EXTRA WHITE

No. 3 or Good Middling.
No. 4 or Strict Middling.
No. 5 or Middling.
No. 6 or Strict Low Middling.
No. 7 or Low Middling.

WHITE

No. 1 or Middling Fair.
No. 2 or Strict Good Middling.
No. 3 or Good Middling.
No. 4 or Strict Middling.
No. 5 or Middling.
No. 6 or Strict Low Middling.
No. 7 or Low Middling.

YELLOW TINGED

No. 2 or Strict Good Middling.
No. 3 or Good Middling.
No. 4 or Strict Middling.

YELLOW TINGED—continued

No. 3 or Good Middling.
No. 4 or Strict Middling.

YELLOW STAINED

No. 3 or Good Middling.

SPOTTED

No. 3 or Good Middling.
No. 4 or Strict Middling.
No. 5 or Middling.

LIGHT STAINED

No. 3 or Good Middling.

GRAY

No. 3 or Good Middling.
No. 4 or Strict Middling.

Par. 2.—The foregoing provisions of this section shall in no case be construed to require the certification as tenderable of any bale classified as of one of the grades of spotted, light stained, or gray cotton, which such grade is officially determined at the time of certification to be below the value of white cotton of the grade of low middling.

SEC. 3. For each lot of cotton or part thereof, classified by the board as untenderable on a section 5 contract it shall issue a separate certificate which shall be distinctly different in color from one for cotton found to be tenderable on such contract, except as otherwise provided in this regulation. Such certificates shall be consecutively numbered in separate series for each exchange. They shall show all cotton classified according to the grades specified in this section, or which is less than seven-eighths of an inch in length of staple, or which is otherwise declared to be undeliverable by the fifth subdivision of section 5 of the act:

WHITE

No. 8 or Strict Good Ordinary.
No. 9 or Good Ordinary.

YELLOW TINGED

No. 5 or Middling.
No. 6 or Strict Low Middling.
No. 7 or Low Middling.

YELLOW STAINED

No. 4 or Strict Middling.
No. 5 or Middling.

SPOTTED

No. 6 or Strict Low Middling.
No. 7 or Low Middling.

LIGHT STAINED

No. 4 or Strict Middling.
No. 5 or Middling.

GRAY

No. 5 or Middling.

BLUE STAINED

No. 3 or Good Middling.
No. 4 or Strict Middling.
No. 5 or Middling.

SEC. 4. Upon the written request of the holder of a cotton class certificate issued under these regulations a new certificate shall be issued, without the reclassification of the cotton, to take the place of the former certificate for any cotton covered thereby, when necessary on account of the breaking or splitting of a lot or otherwise for the business convenience of such holder: *Provided*, That in any case where a part of a lot of cotton represented by any one cotton class certificate is removed from the certificated stock of any market the chairman of the board of cotton examiners may, upon request, cancel from said certificate the bales so removed. In any case where a new certificate is requested in accordance with this section, the former certificate shall be surrendered for cancellation, and such new certificate shall bear a new number and the date of its issuance and the date of original certification and shall otherwise comply with these regulations.

SEC. 5. Upon the written request of the last holder of a valid cotton class certificate and a showing to the satisfaction of the chairman of the board of cotton examiners which issued such certificate that it has been lost or destroyed, and, if lost, that diligent effort has been made to find it without success, a new certificate shall be issued without the reclassification of the cotton. Such new certificate shall bear the same number and date of issuance as the lost or destroyed certificate, and shall include a statement to the effect that it is a duplicate issued in lieu of the lost or destroyed original, as the case may be.

SEC. 6. For good cause any certificate issued under these regulations shall be surrendered to the chairman of the board of cotton examiners which issued it, upon his request or upon the request of the chief of the bureau, and a new certificate complying with these regulations may be issued in substitution therefor. If such certificate be not surrendered upon such request it shall nevertheless be invalid for the purposes of section 5 of the act and these regulations.

SEC. 7. Each cotton class certificate for cotton classified as tenderable shall be valid for use in the tender of such cotton on a section 5 contract made at, on, or in the exchange specified in such certificate, as provided in the act and these regulations and in the rules of the said exchange not inconsistent therewith.

SEC. 8. Any cotton class certificate shall become invalid for use in the tender or delivery of the cotton covered thereby on a section 5 contract whenever such cotton shall be removed from the place of storage specified therein, except when it is handled and re-stored or transferred to a different place of storage under the supervision of the same exchange inspection bureau, or except as provided in regulation 11.

SEC. 9. No cotton submitted for classification under section 5 of the act shall be located or stored at a place disapproved for the purpose by the chairman of board of cotton examiners or the chief of the bureau on account of being unsuitable for the safekeeping or proper storage of such cotton, or on account of the failure or refusal of the custodian thereof to comply or to permit compliance with the requirements of these regulations so far as he may be involved therein. Notice of such disapproval shall be given in such manner as the chief of the bureau may direct. Thereafter every cotton class certificate, if

any, previously issued for cotton located or stored at such place shall be invalid for the delivery of such cotton on a section 5 contract, unless the cotton shall be removed under the supervision of the exchange inspection bureau, or a representative of the Department of Agriculture designated for the purpose by the chairman of the board of cotton examiners or the chief of the bureau, to a place which shall be suitable for the purpose. Upon such removal and the request of the holder of the cotton class certificate for such cotton, a new certificate in lieu thereof, as provided elsewhere in these regulations, shall be issued to him.

SEC. 10. The exchange inspection bureau under the supervision or control of which any cotton classified pursuant to these regulations shall be held or stored shall furnish to the board of cotton examiners which classified such cotton, on the first business day of each week, a written statement of all cotton withdrawn from storage, or the lot number or other identification of which has been changed, or which has otherwise been removed from the supervision or control of such exchange inspection bureau during the next preceding week. Such statement shall show each lot number, and, if changed, the new lot number, and in case of the withdrawal or removal of a portion only of the lot, the tag numbers of the bales so withdrawn or removed. If such removal shall be to a different place of storage under the supervision or control of the exchange inspection bureau, the statement shall show the new location.

SEC. 11. Subject to the provisions of regulation 8 and section 5 of regulation 10, no cotton shall be tendered or delivered on a section 5 contract unless on or prior to the date fixed for delivery under such contract, and in advance of final settlement of the contract the person making the tender shall furnish to the person receiving the same a valid outstanding cotton class certificate complying with these regulations, showing such cotton to be tenderable on a section 5 contract.

SEC. 12. Whenever any exchange shall put into effect a system of handling cotton and samples thereof, approved for the purpose by the chief of the bureau, under which a board of cotton examiners may place its certificate of classification directly on the storage or press receipt covering and properly identifying the cotton involved, the board of cotton examiners may proceed in accordance with such system and need not use the separate cotton class certificates otherwise required by these regulations.

SEC. 13. Upon the request of the holder of a valid Form C certificate or of a transfer certificate issued in accordance with the United States cotton standards act and the regulations of the Secretary thereunder, and the surrender for cancellation of such certificate to the chairman of a board of cotton examiners, there shall be issued in its stead a cotton class certificate or certificates in proper form for use under this act and these regulations. If the classification represented in such Form C certificate shall have been reviewed, such review shall be shown on the cotton class certificate; otherwise the classification shown on the cotton class certificate shall be subject to review as provided in these regulations. The issuance of cotton class certificates under this act and these regulations upon the surrender of transfer certificates issued under the United States cotton standards act shall conform in all respects to the provisions of regulation 11. Transfer certificates issued under the United States cotton standards act may be validated for use in the delivery of cotton as provided in section 6 of regulation 11.

Regulation 8.—Delayed Certification

SECTION 1. If upon the date fixed for delivery in accordance with section 5 of the act cotton class certificates shall not have been issued by a board of cotton examiners for cotton to be delivered pursuant to such notice, samples of which cotton shall have been in the custody of the board for the time hereinafter prescribed, the delivery of such cotton may be made upon compliance with and subject to the conditions specified in this regulation. This regulation shall not apply to cotton upon which a review is pending.

SEC. 2. On the date of giving the transferable notice of the delivery in accordance with section 5 of the act the person issuing such notice or the person on whose behalf it was issued shall also give written notice to the board or officer with whom the classification request was required to be filed, specifying the date of delivery and the number of bales so to be delivered which have not been certified. In such notice, or later in writing before the delivery of the samples to the board, he shall specify the lot numbers of the cotton so to be delivered.

SEC. 3. Such cotton must have been duly inspected and sampled, and the original samples thereof properly prepared in accordance with these regulations must have been delivered to the board not later than the date of the issuance of the transferable notice, except when the delivery day fixed by such transferable notice is the last delivery day in the month of delivery. In such case the cotton must have been duly inspected and sampled, and the original samples thereof properly prepared in accordance with these regulations must have been delivered to the board in accordance with all regulations applicable and in readiness for classification not later than 8 p. m. of the second business day preceding such last delivery day.

SEC. 4. If on the morning of the delivery day specified in the transferable notice the cotton class certificates covering the cotton involved are not ready for delivery when called for, the tenderer of the cotton shall present to the chairman of the board of cotton examiners, or to his representative authorized for the purpose, a written notice stating to the best of his knowledge and belief the true grade of each individual bale to be delivered, properly identifying each bale with its grade. If the foregoing requirements of this regulation shall have been complied with, the chairman of the board, or his duly authorized representative, shall cause to be written or stamped on such notice a statement validating it for use in the tender only on such delivery day of the cotton covered thereby pending the issuance of cotton class certificates in accordance with these regulations. The tenderer shall on such delivery day deliver such notice to the receiver of the cotton, together with the warehouse receipts and such other papers as may be necessary to the delivery of the cotton on such day.

SEC. 5. The person making the tender shall deliver the cotton class certificates therefor to the receiver of the cotton before the close of business hours on the date of the issuance thereof, if delivered to such tenderer before 11 o'clock a. m. on that day. If the cotton class certificates be delivered to him after 11 o'clock a. m. on that day, the tenderer shall in turn deliver them to the receiver before 11 o'clock a. m. on the next following business day. There shall be no right of replacement of bales shown by such certificates to be untenderable.

Regulation 9.—Postponed Classification

SECTION 1. If the applicant desires the postponement of the classification of any cotton covered by a classification request filed pursuant to these regulations until later notice, the original classification request must so state, or the applicant must so advise the board in writing before the classification has been entered upon. Such request must show cause and that it is not made merely for dilatory reasons.

SEC. 2. If thereafter the classification of the cotton be desired, notice thereof must be filed not later than the expiration of one year after the date upon which the samples were drawn from the cotton, and the original samples must have remained continuously in the possession of the board or under its control.

SEC. 3. Classification pursuant to such suspended request shall not be allowed to interfere with or delay the classification of other samples previously made ready for classification or which are otherwise entitled to priority.

SEC. 4. If the period of one year hereinbefore specified shall expire without the filing of the notice of desire for classification, the applicant shall be deemed to have withdrawn the original request for the classification of such cotton.

Regulation 10.—Reviews

SECTION 1. One review only of the classification of the cotton covered by any cotton class certificate may be obtained as provided in this regulation.

SEC. 2. The person for whom the classification of any cotton shall have been performed under these regulations may have a review of the classification of the cotton covered by any certificate by filing written application therefor before the delivery of such cotton on a section 5 contract and not later than the expiration of the seventh calendar day following the date of the first certification of the cotton involved: *Provided*, That if such seventh calendar day shall be a Sunday or a holiday, application for review may be filed during the forenoon of the next following business day.

SEC. 3. In case no review shall have been previously granted under this regulation for the cotton involved, a receiver thereof upon a section 5 contract

may have a review of the classification of such cotton, as shown by a valid cotton class certificate, by filing written application within seven calendar days following the date of the delivery of such certificate to him in accordance with these regulations. When more than 5,000 bales of cotton shall have been delivered to the same receiver on the same date of delivery and at the same point of delivery, he may, upon proper showing of the facts, be allowed five additional calendar days for filing his application for the review of the classification of any such cotton at such point of delivery, provided written request for such extension is filed within seven calendar days following the date of such delivery. In the event of the reissue of certificates to replace any such certificates delivered to him, the receiver may have a review of the classification of the cotton covered by such reissued certificates, provided such review is requested within the time herein prescribed. Every application for review shall be submitted in duplicate on a form furnished or approved by the bureau; shall specify the name and address of the party, if any, from whom the cotton was received on a section 5 contract; shall include the lot numbers, if any, and the marks; and a copy of such application shall be mailed by the chairman of the board to the other party at interest. In any case provided for in this section wherein the last calendar day falls on a Sunday or a holiday the application for review may be filed during the forenoon of the next following business day.

SEC. 4. If there is a board of cotton examiners at the point where the cotton was or may be delivered in settlement of a contract made subject to the act and these regulations the written application for a review shall be filed with the board which issued the cotton class certificate covering the cotton involved (otherwise it may be filed with the supervisor of cotton inspection at that point), and such written application for review shall in each case be in the hands of such board or supervisor within the time specified herein for applying for review, whether such application be transmitted by mail or otherwise. Any person entitled under these regulations to request a review of the classification of any cotton may designate as the board to which he wishes the review referred either the appeal board of review examiners, Washington, D. C., or the local board of cotton examiners, and such action shall be taken accordingly: *Provided*, That the chief of the bureau may for good cause designate the board to review the classification of any cotton for which application for review may be filed. The person applying for a review by the appeal board of review examiners may be required to bear any expense incident to forwarding and returning the samples or other additional expenses connected therewith, but such expense shall be borne by the department in those cases where the chief of the bureau directs the handling of reviews by a board other than that which classified the cotton in the first instance. Any person applying for a review shall, upon call of the chairman of the board or the supervisor of inspection with whom such application was filed, surrender the cotton class certificate or certificates covering the cotton involved.

SEC. 5. In any case where an application for review has been filed with respect to cotton previously classified as tenderable, such review may be completed notwithstanding the subsequent tender of such cotton on a section 5 contract. Pending the completion of such review, the cotton class certificates or written notice evidencing the grade of the cotton involved shall be marked or stamped by the chairman of the board of cotton examiners to show that such review is pending.

SEC. 6. Any application for review may be dismissed whenever it shall be found by the chairman of the board or the chief of the bureau that it was filed without good cause or for dilatory purposes.

SEC. 7. Unless the use of new samples shall be necessary in the judgment of the chairman of the board, a review pursuant to this regulation shall be made on the basis of the samples of the cotton involved in the possession of the board.

SEC. 8. The classification of any bale shown by the original cotton class certificate shall be changed only when it shall appear upon the review that such classification was clearly erroneous.

SEC. 9. If the classification of all the cotton as shown by the cotton class certificate be found to be correct, there shall be placed upon the certificate a notation, which shall be signed by the chairman of the board and dated, to the effect that the classification of the cotton covered by such certificate has been reviewed and determined to be as stated in such certificate. Thereupon the certificate shall be returned to the person who requested the review.

SEC. 10. If the classification of any bale of cotton as shown by the cotton class certificate shall be changed, such certificate shall be canceled and there shall be issued in lieu thereof a new certificate showing the classification of each bale as determined upon such review: *Provided, however*, That if the certificate of classification is placed upon the warehouse receipt it shall be sufficient to enter upon the receipt a statement that the classification has been reviewed, the date of review, and the classification given the bale upon such review. If a new certificate is issued there shall be incorporated in it a statement to the effect that the classification of the cotton covered thereby has been reviewed and determined to be as stated in such certificate. Such certificate shall bear a new number and the date of its issuance, and shall be delivered to the person who requested the review.

SEC. 11. If the determination of a review granted to a receiver of cotton tendered upon a section 5 contract shows cotton previously classed as tenderable to be actually untenderable, the tenderer shall replace the cotton so found to be untenderable. Such replacement shall be made not later than the expiration of the fifth business day following the date of the issuance of the review certificate, by delivering to the receiver other cotton shown to be tenderable by cotton class certificates complying with these regulations, which certificates he shall deliver to the receiver.

SEC. 12. Any application for review may be withdrawn by the applicant at any time before the review classification of the cotton covered thereby has been completed, subject to the payment of such fees, if any, as may be assessed pursuant to regulation 12.

Regulation 11.—Supervision of Transfers of Cotton

SECTION 1. Whenever the owner of any cotton inspected and sampled for classification pursuant to these regulations, or for which he holds valid cotton class certificates, desires to transfer such cotton to a different place for the purpose of having it made available for delivery upon a section 5 contract at the place to which it is to be removed, the procedure shall be as outlined in this regulation. Conformity to this procedure shall not be necessary in the case of the transfer of cotton between different warehouses at the same place when such transfer is effected under the supervision of the exchange inspection bureau, or a representative of the bureau authorized for that purpose at such place. In such cases the exchange inspection bureau shall report the facts to the board of cotton examiners, in accordance with section 10 of regulation 7.

SEC. 2. The person who made the request for classification or the holder of the cotton class certificate therefor shall file with the chairman of the board of cotton examiners with which the classification request was filed, or which issued the certificate, or, in case there be no board of cotton examiners at the point where the cotton is situated, with the supervisor of cotton inspection, a written request for the supervision of such transfer. Such request shall be in such form as the chief of the bureau shall prescribe. It shall properly identify the cotton and shall state the respective locations from and to which the cotton is to be transferred. If the cotton class certificate for such cotton has previously been issued by the board, the holder thereof shall surrender such certificate to the board or to the supervisor of cotton inspection, as the case may be, for cancellation before such transfer shall take place. No single request for supervision of transfer shall cover both cotton of which the classification has been reviewed and that of which the classification has not been reviewed; nor shall the same request cover both tenderable and untenderable cotton; and no single transfer lot shall include more than 50 bales.

SEC. 3. As soon as practicable after the filing of the request the chairman of the board of cotton examiners shall assign to it a transfer number. The owner of the cotton shall thereupon have such number legibly branded upon all bales covered by such transfer request. As soon as practicable thereafter the person filing such request shall make the cotton available to a supervisor or deputy supervisor of cotton inspection or a cotton examiner, who shall examine each bale of cotton covered by the transfer request, and shall attach to it, if found to be properly branded, a durable tag or seal provided for the purpose by the bureau. Such tag or seal shall remain the property of the United States after being so attached while the bale is under the supervision of the Department of Agriculture. No person, unless authorized by the bureau, shall remove or in any way tamper with such attached tag or seal or shall

otherwise interfere with any person employed under the act in the performance of his duties, while the cotton is under supervision of the bureau.

SEC. 4. Thereupon there shall be issued to the person requesting the same a transfer certificate in form prescribed for the purpose by the chief of the bureau, properly identifying the cotton according to such tags or seals, and the other means of identification in the possession of the bureau, showing the respective locations from which and to which the cotton is to be transferred, the classification of the cotton as previously determined, and whether or not such classification has been reviewed.

SEC. 5. When the cotton shall have been delivered for storage at the place of its destination and the transfer certificate shall have been surrendered to the chairman of the board at such place or to such other official as the chief of the bureau shall designate for the purpose, a supervisor or deputy supervisor of cotton inspection or a cotton examiner, or other representative of the bureau authorized for the purpose, shall examine each bale of cotton covered by such transfer certificate. If he finds that the entire lot of cotton represented by the transfer certificate has been preserved unbroken and that the identity of the bales has been properly preserved, there shall be issued to the person requesting the same a cotton class certificate or certificates complying with these regulations, valid for use at such destination without the reclassification of the cotton; except that whenever the exchange at the point of destination shall have put into effect a system of handling cotton and samples thereof approved for the purpose by the chief of the bureau, under which a board of cotton examiners may place its certificate of classification directly on the storage or press receipt covering and properly identifying the cotton involved, the preservation unbroken of the entire lot represented by the transfer certificate shall not be required.

SEC. 6. If on the morning of the delivery day specified in the transferable notice a supervisor of cotton inspection at the point to which the cotton has been transferred shall have determined the identity of the cotton to have been properly preserved but a new cotton class certificate has not been issued in lieu of the transfer certificate, the chairman of the board of cotton examiners at such point shall cause to be placed upon the face of the transfer certificate a statement validating such transfer certificate for use in the tender only on such delivery day of the cotton covered thereby, and shall return the same to the owner of the cotton. Upon demand of the chairman of the board of cotton examiners a holder of such validated transfer certificate shall surrender the same, and the chairman of the board of cotton examiners shall issue as soon as practicable thereafter a cotton class certificate or certificates in its stead.

SEC. 7. Supervision of transfers in accordance with this regulation shall not be granted, nor shall any certificate be issued with respect to any bale which is found to be in such condition that its classification is different from that shown by the cotton class certificate, unless such bale shall be reinspected and, if necessary, reclassified in accordance with these regulations.

Regulation 12.—Costs of Classification and Certification

SECTION 1. For the classification and certification of cotton pursuant to these regulations, except as otherwise hereinafter provided, whether such cotton be tenderable or not, the person requesting the classification shall pay a fee of 25 cents per bale.

SEC. 2. *Paragraph 1.*—For each new certificate issued in substitution for a prior certificate at the request of the holder thereof, on account of the breaking or splitting of a lot of cotton covered thereby or otherwise for his business convenience, without the reclassification of the cotton involved, the person requesting such substitution shall pay a fee of 25 cents. For the transfer at the request of the holder thereof of the certificate on a single-bale warehouse receipt to another single-bale warehouse receipt, when made necessary by the transfer of the cotton from one place of storage to another under the supervision of an exchange inspection bureau, as provided in section 10 of regulation 7, the person making the request shall pay a fee of 5 cents for each bale of cotton involved. In cases where part of a lot of cotton represented by any one cotton class certificate is removed from the certificated stock of any market and the bales so removed are canceled from such certificate at the request of the holder thereof, in accordance with section 4 of regulation 7, no charge shall be made for such cancellation unless the holder requests the return of the official samples representing the bales so canceled, in which event a service charge of 10 cents will

be assessed irrespective of the number of bales involved. Any request for the return of samples must be made within two weeks of the date of such cancellation.

Par. 2.—When any cotton covered by multiple-bale certificates is removed, without change of identification, from one place of storage to another under the supervision or control of an exchange inspection bureau, a notation of the change of the place of storage may be entered on the certificates for a service charge of 5 cents for each certificate involved.

SEC. 3. For the review of the classification of any cotton by the board which classified such cotton in the first instance the fee shall be 25 cents per bale. For the review of the classification of any cotton by the appeal board of review examiners, Washington, D. C., where the applicant designates the appeal board of review examiners as the board to which he wishes the review referred, the fee shall be 30 cents per bale, which shall cover the review and the expense incident to forwarding and returning samples or other additional expense connected therewith, whether the review classification is performed at Washington, D. C., or by a committee of such appeal board functioning temporarily at another point.

SEC. 4. No fee shall be collected for a new cotton class certificate issued in lieu of a prior certificate solely for the purpose of correcting clerical errors therein or for the purpose of substituting a new form applicable to outstanding certificates, or without an application therefor.

SEC. 5. For the supervision of the transfer of cotton in accordance with regulation 11, including such new certificates incidental thereto as may be necessary for the delivery of such cotton upon a section 5 contract without its reclassification, the applicant for such transfer supervision shall pay a fee of 30 cents per bale.

SEC. 6. When the request for classification or the application for the review of the classification of any cotton shall be withdrawn after the classification of such cotton has been started pursuant to such request or application, the person making such request or application shall pay the fee prescribed by section 1 of this regulation as to any cotton classified prior to such withdrawal.

SEC. 7. Samples not removed in accordance with these regulations and loose cotton separated from the samples in the handling and classification thereof by a board shall become the property of the Department of Agriculture. Such cotton shall be disposed of in the manner prescribed for other property by the property regulations of the Department of Agriculture, but the proceeds thereof shall be deemed to be part of the costs of classification pursuant to these regulations. Such proceeds shall be deposited with other moneys received in payment of costs to the credit of the revolving fund provided by the seventh subdivision of section 5 of the act.

SEC. 8. Whenever, in order to issue any cotton class certificate or to validate a tenderer's written notice of grade in time to permit of its use in consummating the delivery on a fixed day of the cotton covered thereby, the person who requested the classification or the person on whose behalf such request was made shall also request the transmission by telegraph, telephone, or radio of information concerning the classification of such cotton, the person making the request for the classification shall pay in addition to the costs hereinbefore prescribed the sum of 5 cents a bale in liquidation of the cost of tolls so incurred.

SEC. 9. When the inspection and sampling or the supervision of the transfer of any cotton shall be performed at a place other than that where a board of cotton examiners or supervisor of cotton inspection is regularly located, the person making the request for the classification or the supervision of the transfer of the cotton shall pay, in addition to the costs hereinbefore prescribed, the necessary traveling expenses and subsistence, or per diem in lieu of subsistence, incurred on account of such request, in accordance with the fiscal regulations of the Department of Agriculture, by the persons employed by the Department of Agriculture to supervise such inspection and sampling or transfer.

SEC. 10. The expense of inspection and sampling, the preparation of the samples, and the delivery of such samples to the classification room of the board of cotton examiners, or other place specifically designated for the purpose by the chief of the bureau, or by the chairman of such board, shall be borne by the party requesting the classification of the cotton involved.

SEC. 11. The bureau shall deliver bills to all persons from whom payment for fees or expenses on account of such services shall be due. Such bills

shall be rendered as soon as practicable after the 15th and the last day of each month for the amounts due and unpaid on such date. When necessary, in the discretion of the chairman of the board or the chief of the bureau, any bill may be rendered at an earlier date for any fees then due by the person to whom such bill shall be rendered. Payment of any such bill shall be made as soon as possible after the rendition thereof, but in any event not later than the expiration of two weeks thereafter.

SEC. 12. If requested by the chairman of the board of cotton examiners with which the classification request is required to be filed or by the chief of the bureau, the person from whom any payment under this regulation may become due shall make an advance deposit to cover such payment in such amount as may be necessary in the judgment of the official requesting the same.

SEC. 13. Any payment or advance deposit under this regulation shall be by certified check or by draft or post office or express money order, payable to the order of "Disbursing Clerk, Department of Agriculture," and may not be made in cash except in cases where the total payment or deposit does not exceed $1.

Regulation 13.—Spot Markets

SECTION 1. The following markets have been determined, after investigation, and are hereby designated to be bona fide spot markets within the meaning of the act:

Atlanta, Ga.	Galveston, Tex.	Montgomery, Ala.
Augusta, Ga.	Houston, Tex.	New Orleans, La.
Charleston, S. C.	Little Rock, Ark.	Norfolk, Va.
Dallas, Tex.	Memphis, Tenn.	Savannah, Ga.
Forth Worth, Tex.	Mobile, Ala.	

SEC. 2. The following are designated as spot markets for the purpose of determining, as provided in section 6 of the act, the differences above or below the contract price which the receiver shall pay for grades other than the basis grade tendered or delivered in settlement of a section 5 contract:

Augusta, Ga.	Little Rock, Ark.	Norfolk, Va.
Dallas, Tex.	Memphis, Tenn.	Savannah, Ga.
Galveston, Tex.	Montgomery, Ala.	
Houston, Tex.	New Orleans, La.	

Regulation 14.—Price Quotations and Differences

SECTION 1. Every bona fide spot market shall, as a condition of its designation and of the retention thereof for the purposes of the act, conform to sections 6, 7, and 8 of the act and the requirements of this regulation.

SEC. 2. The prices or values of middling cotton and the differences between the prices or values of middling cotton and of other grades of cotton in each bona fide spot market shall be based solely upon the grades of the official cotton standards of the United States and shall be the actual commercial prices or values and differences established by the sale of spot cotton in such bona fide spot market. Such prices or values and differences shall be determined as provided in said sections of the act and this regulation.

SEC. 3. There shall be established and maintained in each bona fide spot market a competent quotation committee. The organization of such committee and its personnel shall be subject to the approval of the chief of the bureau, and any member of such committee who for good cause is disapproved by the chief of the bureau shall, after due notice, be replaced by another person acceptable for the purpose to the chief of the bureau. Such committee shall impartially and carefully ascertain and publish on each business day the value of middling cotton and the differences between the prices or values of middling cotton and of other grades of cotton represented by the official cotton standards of the United States. The committee shall disregard any transactions which it finds were not bona fide, or were made for the purpose of influencing its action improperly, or for other good reasons do not represent truly the commercial values of spot cotton in its market. The time or times of ascertaining and publishing such prices or values and differences shall be uniform in all the bona fide spot markets and shall be fixed subject to the approval of the chief of the bureau so as to carry out the purposes of sections 5 and 6

of the act. The committee shall cause its action to be communicated at once to each future exchange and to the bureau.

SEC. 4. Each such quotation committee shall provide itself with or have ready access to a full set of the practical forms of the official cotton standards of the United States for grade and color of upland cotton, each box of which shall contain a certificate of the Secretary of Agriculture which is not more than 18 months old and which has not been canceled as provided elsewhere in these regulations. Such committee, or a person authorized to act for it, shall obtain complete and satisfactory information not later than the close of business on each business day as to all sales of spot cotton since the close of the next preceding business day, including the grades, the prices or price basis, and other terms of sale in sufficient detail to enable the committee to perform its duties accurately. Such committee shall also have access to the samples representing the cotton involved in such sales. A record of such information shall be kept subject to examination at any reasonable time by a duly authorized representative of the bureau, and the samples of the cotton as long as they remain in the possession of any party to the transaction in such market shall also be available for such examination.

SEC. 5. Whenever no sale of a particular grade of cotton shall have been made on a given day in a particular bona fide spot market, the value of such grade in that market on that day, which shall be used in calculating the commercial differences to be applied, pursuant to section 6 of the act, in the settlement of a section 5 contract, shall be determined in accordance with section 6 of this regulation.

SEC. 6. *Paragraph 1.* If on such given day there shall have been in such market both a sale of any higher grade and a sale of any lower grade, the average of the declines, or advances, or decline and advance, as the case may be, of the next higher grade and the next lower grade so sold shall be deducted from, or added to, as the case may be, the value, on the last preceding business day, of the grade the value of which on such given day is sought to be ascertained.

Par. 2. If on such given day there shall have been in such market a sale of either a higher or a lower grade, but not sales of both, the decline or advance of the next higher or the next lower grade so sold shall be deducted from, or added to, as the case may be, the value on the last preceding business day of the grade the value of which on such given day is sought to be ascertained.

Par. 3. If on such given day there shall have been in such market no sale of spot cotton of any grade, the value of each grade shall be deemed to be the same as its value therein on the last preceding business day, unless in the meantime there shall have been bona fide bids and offers, or sales of hedged cotton, or other sales of cotton, or changes in prices of future contracts made subject to the act, which in the usual course of business would clearly establish a rise or fall in the value of spot cotton in such market, in which case such rise or fall may be calculated and added to or deducted from the value on the preceding business day of cotton of all grades affected thereby.

SEC. 7. For the purpose of this regulation values shall be expressed in terms of cents and hundredths of a cent. A fraction of a hundredth, when equal to, or greater than, the half thereof, shall be treated as a hundredth, and when less than a half of a hundredth shall be disregarded.

SEC. 8. The details of the method of carrying out the provisions of this regulation in each bona fide spot market shall be subject to the approval of the chief of the bureau or shall be prescribed by him.

Regulation 15.—Official Cotton Standards

SECTION 1. *Paragraph 1.*—Practical forms of any of the official cotton standards of the United States enumerated in this paragraph, each certified under the seal of the United States Department of Agriculture and under the signature of the Secretary thereto affixed by himself or by some other official or employee of the department thereto duly authorized by him, and in the case of the standards for grade and color accompanied by photographs representing the cotton in such practical forms on the date of certification, will be furnished to any person requesting the same, upon prepayment of the cost thereof as determined by the Secretary subject to the other conditions of this section:

Standards for grades and colors for American upland cotton as follows:
No. 1 or Middling Fair.
No. 2 or Strict Good Middling.
No. 3 or Good Middling.
No. 4 or Strict Middling.
No. 5 or Middling.
No. 6 or Strict Low Middling.
No. 7 or Low Middling.
No. 8 or Strict Good Ordinary.
No. 9 or Good Ordinary.
No. 3 Tinged, or Good Middling Yellow Tinged.
No. 4 Tinged, or Strict Middling Yellow Tinged.
No. 5 Tinged, or Middling Yellow Tinged.
No. 6 Tinged, or Strict Low Middling Yellow Tinged.
No. 7 Tinged, or Low Middling Yellow Tinged.
No. 3 Stained, or Good Middling Yellow Stained.
No. 4 Stained, or Strict Middling Yellow Stained.
No. 5 Stained, or Middling Yellow Stained.
No. 3 Blue Stained, or Good Middling Blue Stained.
No. 4 Blue Stained, or Strict Middling Blue Stained.
No. 5 Blue Stained, or Middling Blue Stained.
(All the foregoing standards being also designated universal standards.)
No. 3 Extra White, or Good Middling Extra White.
No. 4 Extra White, or Strict Middling Extra White.
No. 5 Extra White, or Middling Extra White.
No. 6 Extra White, or Strict Low Middling Extra White.
No. 7 Extra White, or Low Middling Extra White.
Standards for grades and colors for American-Egyptian cotton, as follows:
Grade No. 1.
Grade No. 2.
Grade No. 3.
Grade No. 4.
Grade No. 5.
Standards for length of staple, as follows:

AMERICAN UPLAND COTTON

¾ inch.
⅞ inch.
15/16 inch.
1 inch.
1 1/32 inches.
1 1/16 inches.
1 3/32 inches.
1 1/8 inches.
1 5/32 inches.
1 3/16 inches.
1 7/32 inches.
1 1/4 inches.
1 9/32 inches.
1 5/16 inches.
1 11/32 inches.
1 3/8 inches.
1 13/32 inches.

AMERICAN-EGYPTIAN COTTON

1½ inches.
1 9/16 inches.
1 5/8 inches.
1¾ inches.

Par. 2. Each application for practical forms of the official cotton standards shall be upon a blank furnished or approved by the bureau, shall be signed by the applicant, shall be accompanied by certified check, draft, post-office money order, or express money order, payable to the "Disbursing Clerk, Department of Agriculture," in an amount sufficient to cover the cost of the forms requested, and shall incorporate the following conditions:

(*a*) That no practical form of any of the official cotton standards shall be considered or used as representing the official cotton standards of the United States after the date of its cancellation in accordance with this section or, in any event, after the expiration of 18 months following the date of its certification (except that sets of practical forms stored, protected, and preserved in accordance with certain agreements for the adoption of universal standards, may be used for such periods as may be prescribed in such agreements).

(*b*) That said practical forms and the photographs accompanying them shall be subject to inspection on any business day, between the hours of 9 a. m. and 4 p. m., by the Secretary or by an officer or agent of the Department of Agriculture authorized by the chief of the bureau.

(*c*) That the signature of the Secretary certifying to any practical forms, or any photograph of any type or sample of said practical forms accompanying the same, or both, may be canceled if it be found, upon such inspection, either that any of said forms for any reason misrepresents the official cotton standards or that any such photograph has been altered or mutilated.

SEC. 2. *Paragraph 1.*—The cost of any of the practical forms of the universal standards or other official cotton standards of the United States for grade or color, enumerated in section 1 of this regulation, shall be at the rate of $5 each, f. o. b., Washington, D. C., for shipments within the continental United States, and $6.25 each, delivered to destination, for shipments outside the continental United States.

Par. 2. The costs specified in paragraph 1 of this section shall likewise apply in cases where new samples are furnished in replacement of old samples in any box of the practical forms returned to the department for the purpose, except that when the number of new samples so furnished is five or less in one box, the cost shall be at the rate of 40 cents for each sample.

Par. 3. The cost of any of the practical forms of the official cotton standards of the United States for length of staple enumerated in section 1 of this regulation shall be at the rate of $1 each, f. o. b., Washington, D. C., for shipments within the continental United States, and $1.25 each, delivered to destination, for shipments outside the continental United States.

SEC. 3. Any payment or advance deposit under this regulation shall be by certified check or by draft or post-office or express money order, payable to the order of "Disbursing Clerk, Department of Agriculture," and may not be made in cash except in cases where the total payment or deposit does not exceed $1.

SEC. 4. The cost of practical forms of the universal standards or other official cotton standards which may hereafter be established shall be such as the Secretary of Agriculture may determine.

Regulation 16.—Publications

SECTION 1. Information as to official cotton standards and investigations under the act shall be published from time to time.

APPENDIX 1

UNITED STATES COTTON FUTURES ACT

(Approved August 11, 1916, as amended March 4, 1919, U. S. C., Title 26, Secs. 731–752; May 31, 1920, 41 Stat. 725; and February 26, 1927, U. S. C., Supp. IV, Title 26, Sec. 736)

That this act shall be known by the short title of the "United States cotton futures act."

SEC. 2. That, for the purposes of this act, the term "contract of sale" shall be held to include sales, agreements of sale, and agreements to sell. That the word "person," wherever used in this act, shall be construed to import the plural or singular, as the case demands, and shall include individuals, associations, partnerships, and corporations. When construing and enforcing the provisions of this act, the act, omission, or failure of any official, agent, or other person acting for or employed by any association, partnership, or corporation within the scope of his employment or office, shall, in every case, also be deemed the act, omission, or failure of such association, partnership, or corporation as well as that of the person.

SEC. 3. That upon each contract of sale of any cotton for future delivery made at, on, or in any exchange, board of trade, or similar institution or place of business, there is hereby levied a tax in the nature of an excise of 2 cents for each pound of the cotton involved in any such contract.

SEC. 4. That each contract of sale of cotton for future delivery mentioned in section 3 of this act shall be in writing plainly stating, or evidenced by written memorandum showing, the terms of such contract, including the quantity of the cotton involved and the names and addresses of the seller and buyer in such contract, and shall be signed by the party to be charged, or by his agent in his behalf. If the contract or memorandum specify in bales the quantity of the cotton involved, without giving the weight, each bale shall, for the purposes of this act, be deemed to weigh 500 pounds.

SEC. 5. That no tax shall be levied under this act on any contract of sale mentioned in section 3 hereof if the contract comply with each of the following conditions:

First. Conform to the requirements of section 4 of, and the rules and regulations made pursuant to, this act.

Second. Specify the basis grade for the cotton involved in the contract, which shall be one of the grades for which standards are established by the Secretary of Agriculture, except grades prohibited from being delivered on a contract made under this section by the fifth subdivision of this section, the price per pound at which the cotton of such basis grade is contracted to be bought or sold, the date when the purchase or sale was made, and the month or months in which the contract is to be fulfilled or settled: *Provided,* That middling shall be deemed the basis grade incorporated into the contract

if no other basis grade be specified either in the contract or in the memorandum evidencing the same.

Third. Provide that the cotton dealt with therein or delivered thereunder shall be of or within the grades for which standards are established by the Secretary of Agriculture except grades prohibited from being delivered on a contract made under this section by the fifth subdivision of this section and no other grade or grades.

Fourth. Provide that in case cotton of grade other than the basis grade be tendered or delivered in settlement of such contract, the differences above or below the contract price which the receiver shall pay for such grades other than the basis grade shall be the actual commercial differences, determined as hereinafter provided.

Fifth. Provide that cotton that, because of the presence of extraneous matter of any character, or irregularities or defects, is reduced in value below that of low middling, or cotton that is below the grade of low middling, or, if tinged, cotton that is below the grade of strict middling, or, if yellow stained, cotton that is below the grade of good middling, the grades mentioned being of the official cotton standards of the United States, or cotton that is less than seven-eighths of an inch in length of staple, or cotton of perished staple or of immature staple, or cotton that is "gin cut" or reginned, or cotton that is "repacked" or "false packed" or "mixed packed" or "water packed," shall not be delivered on, under, or in settlement of such contract.[1]

Sixth. Provide that all tenders of cotton under such contract shall be the full number of bales involved therein, except that such variations of the number of bales may be permitted as is necessary to bring the total weight of the cotton tendered within the provisions of the contract as to weight; that, on the fifth business day prior to delivery, the person making the tender shall give to the person receiving the same written notice of the date of delivery, and that, on or prior to the date so fixed for delivery, and in advance of final settlement of the contract, the person making the tender shall furnish to the person receiving the same a written notice or certificate stating the grade of each individual bale to be delivered and, by means of marks or numbers, identifying each bale with its grade.

Seventh. Provide that all tenders of cotton and settlements therefor under such contract shall be in accordance with the classification thereof made under the regulations of the Secretary of Agriculture by such officer or officers of the Government as shall be designated for the purpose, and the costs of such classification shall be fixed, assessed, collected, and paid as provided in such regulations. All moneys collected as such costs may be used as a revolving fund for carrying out the purposes of this subdivision, and section nineteen of this act is amended accordingly.

The provisions of the third, fourth, fifth, sixth, and seventh subdivisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandum evidencing the same, at or prior to the time the same is signed, the phrase "Subject to United States cotton futures act, section 5."

The Secretary of Agriculture is authorized to prescribe regulations for carrying out the purposes of the seventh subdivision of this section, and the certificates of the officers of the Government as to the classification of any cotton for the purposes of said subdivision shall be accepted in the courts of the United States in all suits between the parties to such contract, or their privies, as prima facie evidence of the true classification of the cotton involved.

SEC. 6. That for the purposes of section 5 of this act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract, established by the sale of spot cotton in the spot markets of not less than five places designated for the purpose from time to time by the Secretary of Agriculture, as such values were established by the sales of spot cotton, in such designated five or more markets: *Provided*, That for the purpose of this section such values in the said spot markets be based upon the standards for grades of cotton established by the Secretary of Agriculture: *And provided further*, That whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades, such value shall be fixed in accordance with rules and regulations which shall be prescribed for the purpose by the Secretary of Agriculture.[2]

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[1] The fifth subdivision of section 5 as it appears above includes the amended language prescribed by section 6 of the wheat guarantee act of March 4, 1919. As originally enacted, this subdivision read as follows:

"Fifth. Provide that cotton that, because of the presence of extraneous matter of any character or irregularities or defects, is reduced in value below that of good ordinary, or cotton that is below the grade of good ordinary, or, if tinged, cotton that is below the grade of low middling, or, if stained, cotton that is below the grade of middling, the grades mentioned being of the official cotton standards of the United States, or cotton that is less than seven-eighths of an inch in length of staple, or cotton of perished staple or of immature staple, or cotton that is 'gin cut' or reginned, or cotton that is 'repacked' or 'false packed' or 'mixed packed' or 'water packed,' shall not be delivered on, under, or in settlement of such contract."

[2] As originally enacted section 6 read as follows:

"SEC. 6. That for the purposes of section 5 of this act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract, established by the sale of spot cotton *in the market where the future transaction involved occurs and is consummated if such market be a bona fide spot market; and in the event there be no bona fide spot market at or in the place in which such future transaction occurs, then, and in that case, the said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof, upon the sixth business day prior to the day fixed in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract*, in the spot markets of not less than five places designated for the

SEC. 6A. That no tax shall be levied under this act on any contract of sale mentioned in section 3 hereof if the contract provide that, in case cotton of grade or grades other than the basis grade specified in the contract shall be tendered in performance of the contract, the parties to such contract may agree, at the time of the tender, as to the price of the grade or grades so tendered, and that if they shall not then agree as to such price, then, and in that event, the buyer of said contract shall have the right to demand the specific fulfillment of such contract by the actual delivery of cotton of the basis grade named therein and at the price specified for such basis grade in said contract, and if the contract also comply with all the terms and conditions of section 5 hereof not inconsistent with this section: *Provided*, That nothing in this section shall be so construed as to relieve from the tax levied by section 3 of this act any contract in which, or in the settlement of or in respect to which, any device or arrangement whatever is resorted to, or any agreement is made, for the determination or adjustment of the price of the grade or grades tendered other than the basis grade specified in the contract by any "fixed difference" system, or by arbitration, or by any other method not provided for by this act.

Contracts made in compliance with this section shall be known as "section 6A contracts." The provisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandum evidencing the same, at or prior to the time the same is signed, the phrase "Subject to United States cotton futures act, section 6A."

Section 10 of this act shall not be construed to apply to any contract of sale made in compliance with section 6A hereof.

SEC. 7. That for the purposes of this act the only markets which shall be considered bona fide spot markets shall be those which the Secretary of Agriculture shall, from time to time, after investigation, determine and designate to be such, and of which he shall give public notice.

SEC. 8. That in determining, pursuant to the provisions of this act, what markets are bona fide spot markets, the Secretary of Agriculture is directed to consider only markets in which spot cotton is sold in such volume and under such conditions as customarily to reflect accurately the value of middling cotton and the differences between the prices or values of middling cotton and of other grades of cotton for which standards shall have been established by the Secretary of Agriculture: *Provided*, That if there be not sufficient places, in the markets of which are made bona fide sales of spot cotton of grades for which standards are established by the Secretary of Agriculture, to enable him to designate at least five spot markets in accordance with section 6 of this act, he shall, from data as to spot sales collected by him, make rules and regulations for determining the actual commercial differences in the value of spot cotton of the grades established by him as reflected by bona fide sales of spot cotton, of the same or different grades, in the markets selected and designated by him, from time to time, for that purpose, and in that event, differences in value of cotton of various grades involved in contracts made pursuant to section 5 of this act shall be determined in compliance with such rules and regulations: *Provided further*, That it shall be the duty of any person engaged in the business of dealing in cotton, when requested by the Secretary of Agriculture or any agent acting under his instructions, to answer correctly to the best of his knowledge, under oath or otherwise, all questions touching his knowledge of the number of bales, the classification, the price or bona fide price offered, and other terms of purchase or sale, of any cotton involved in any transaction participated in by him, or to produce all books, letters, papers, or documents in his possession or under his control relating to such matter. Any such person who shall, within a reasonable time prescribed by the Secretary of Agriculture or such agent, willfully fail or refuse to answer such questions or to produce such books, letters, papers, or documents, or who shall willfully give any answer that is false or misleading, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding $500.

SEC. 9. That the Secretary of Agriculture is authorized, from time to time, to establish and promulgate standards of cotton by which its quality or value may be judged or determined, including its grade, length of staple, strength of staple, color, and such other qualities, properties, and conditions as may be standardized in practical form, which, for the purposes of this act, shall be known as the "Official cotton standards of the United States," and to adopt, change, or replace the standard for any grade of cotton established under the act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1909 (Thirty-five Statutes at Large, page 251), and acts supplementary thereto: *Provided*, That any standard of any cotton established and promulgated under this act by the Secretary of Agriculture shall not be changed or replaced within a period less than one year from and after the date of the promulgation thereof by the Secretary of Agriculture: *Provided further*, That, subsequent to six months after the date section 3 of this act becomes effective, no change or replacement of any standard of any cotton established and promulgated under this act by the Secretary of Agriculture shall become effective until after one year's public notice thereof, which notice shall specify the date when the same is to become effective. The Secretary of Agriculture is authorized and directed to prepare practical forms of the official cotton standards which shall be established by him, and to furnish such practical forms from time to time, upon request, to any person, the cost thereof, as determined by the Secretary of Agriculture, to be paid by the person requesting the

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purpose from time to time by the Secretary of Agriculture, as such values were established by the sales of spot cotton, in such designated five or more markets: *Provided*, That for the purposes of this section such values in the said spot markets be based upon the standards for grades of cotton established by the Secretary of Agriculture; *And provided further*, That whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades, such value shall be fixed in accordance with rules and regulations which shall be prescribed for the purpose by the Secretary of Agriculture."

The matter in italics was eliminated by the amendment of February 26, 1927, which appears in Appendix 4, page 22. Therefore commercial differences in all future markets are now based upon the averages of the markets designated for the purpose. See regulation 13, section 2.

same, and to certify such practical forms under the seal of the Department of Agriculture and under the signature of the said Secretary, thereto affixed by himself or by some official or employee of the Department of Agriculture thereunto duly authorized by the said Secretary.

SEC. 10. That no tax shall be levied under this act on any contract of sale mentioned in section 3 hereof, if the contract comply with each of the following conditions:

First. Conform to the rules and regulations made pursuant to this act.

Second. Specify the grade, type, sample, or description of the cotton involved in the contract, the price per pound at which such cotton is contracted to be bought or sold, the date of the purchase or sale, and the time when shipment or delivery of such cotton is to be made.

Third. Provide that cotton of or within the grade or of the type, or according to the sample or description, specified in the contract shall be delivered thereunder, and that no cotton which does not conform to the type, sample, or description, or which is not of or within the grade specified in the contract shall be tendered or delivered thereunder.

Fourth. Provide that the delivery of cotton under the contract shall not be effected by means of "set-off" or "ring" settlement, but only by the actual transfer of the specified cotton mentioned in the contract.

The provisions of the first, third, and fourth subdivisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the document or memorandum evidencing the same, at or prior to the time the same is entered into, the words "subject to United States cotton futures act, section 10."

This act shall not be construed to impose a tax on any sale of spot cotton.

This section shall not be construed to apply to any contract of sale made in compliance with section 5 of this act.

SEC. 11. That the tax imposed by section 3 of this act shall be paid by the seller of the cotton involved in the contract of sale, by means of stamps which shall be affixed to such contracts, or to the memoranda evidencing the same, and canceled in compliance with rules and regulations which shall be prescribed by the Secretary of the Treasury.

SEC. 12. That no contract of sale of cotton for future delivery mentioned in section 3 of this act which does not conform to the requirements of section 4 hereof and has not the necessary stamps affixed thereto as required by section 11 hereof shall be enforceable in any court of the United States by, or on behalf of, any party to such contract or his privies.

SEC. 13. That the Secretary of the Treasury is authorized to make and promulgate such rules and regulations as he may deem necessary to collect the tax imposed by this act and otherwise to enforce its provisions. Further to effect this purpose he shall require all persons coming within its provisions to keep such records and statements of account, and may require such persons to make such returns verified under oath or otherwise, as will fully and correctly disclose all transactions mentioned in section 3 of this act, including the making, execution, settlement, and fulfillment thereof; he may require all persons who act in the capacity of a clearing house, clearing association, or similar institution for the purpose of clearing, settling, or adjusting transactions mentioned in section 3 of this act to keep such records and to make such returns as will fully and correctly disclose all facts in their possession relating to such transactions; and he may appoint agents to conduct the inspection necessary to collect said tax and otherwise to enforce this act and all rules and regulations made by him in pursuance hereof, and may fix the compensation of such agents. The provisions of the internal-revenue laws of the United States, so far as applicable, including sections 3173, 3174, and 3175 of the Revised Statutes, as amended, are hereby extended, and made to apply, to this act.

SEC. 14. That any person liable to the payment of any tax imposed by this act who fails to pay, or evades or attempts to evade the payment of such tax, and any person who otherwise violates any provision of this act, or any rule or regulation made in pursuance hereof, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be fined not less than $100 nor more than $20,000, in the discretion of the court; and, in case of natural persons, may, in addition, be punished by imprisonment for not less than sixty days nor more than three years, in the discretion of the court.

SEC. 15. That in addition to the foregoing punishment there is hereby imposed, on account of each violation of this act, a penalty of $2,000, to be recovered in an action founded on this act in the name of the United States as plaintiff, and when so recovered one-half of said amount shall be paid over to the person giving the information upon which such recovery was based. It shall be the duty of United States attorneys, to whom satisfactory evidence of violations of this act is furnished, to institute and prosecute actions for the recovery of the penalties prescribed by this section.

SEC. 16. That no person whose evidence is deemed material by the officer prosecuting on behalf of the United States in any case brought under any provision of this act shall withhold his testimony because of complicity by him in any violation of this act or of any regulation made pursuant to this act, but any such person called by such officer who testifies in such case shall be exempt from prosecution for any offense to which his testimony relates.

SEC. 17. That the payment of any tax levied by this act shall not exempt any person from any penalty or punishment now or hereafter provided by the laws of any State for entering into contracts of sale of cotton for future delivery, nor shall the payment of any tax imposed by this act be held to prohibit any State or municipality from imposing a tax on the same transaction.

SEC. 18. That there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1916, the unexpended balance of the sum appropriated by the act of March 4, 1915 (38 Stat. L., p. 1017), for "collecting the cotton futures tax," or so much thereof as may be necessary, to enable the Secretary of the Treasury to carry out the provisions of this act and any duties remaining to be performed by him under the United States cotton futures act of August 18, 1914 (38 Stat. L., p. 693).

SEC. 19. That there are hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, available until expended, the unexpended balance of the sum of $150,000 appropriated by section 20 of the said act of August 18, 1914, and for the fiscal year ending June 30, 1916, the unexpended balance of the sum of $75,000 appropriated for the "Enforcement of the United States cotton futures act" by the act

making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1916 (Thirty-eight Statutes at Large, page 1086), or so much of each of said unexpended balances as may be necessary, to be used by the Secretary of Agriculture for the same purposes, in carrying out the provisions of this act, as those for which said sums, respectively, were originally appropriated, and to enable the Secretary of Agriculture to carry out any duties remaining to be performed by him under the said act of August 18, 1914. The Secretary of Agriculture is hereby directed to publish from time to time the results of investigations made in pursuance of this act. All sums collected by the Secretary of Agriculture as costs under section 5, or for furnishing practical forms under section 9, of this act, shall be deposited and covered into the Treasury as miscellaneous receipts.

SEC. 20. That sections 9, 18, and 19 of this act and all provisions of this act authorizing rules and regulations to be prescribed shall be effective immediately. All other sections of this act shall become and be effective on and after the first day of the calendar month next succeeding the date of the passage of this act: *Provided*, That nothing in this act shall be construed to apply to any contract of sale of any cotton for future delivery mentioned in section 3 of this act which shall have been made prior to the first day of the calendar month next succeeding the date of the passage of this act.

SEC. 21. That the act entitled "An act to tax the privilege of dealing on exchanges, boards of trade, and similar places in contracts of sale of cotton for future delivery, and for other purposes," approved August 18, 1914 (Thirty-eight Statutes at Large, page 693), is hereby repealed, effective on and after the first day of the calendar month next succeeding the date of the passage of this act: *Provided*, That nothing in this act shall be construed to affect any right or privilege accrued, any penalty or liability incurred, or any proceeding commenced under said act of August 18, 1914, or to diminish any authority conferred by said act on any official of the United States necessary to enable him to carry out any duties remaining to be performed by him under the said act, or to impair the effect of the findings of the Secretary of Agriculture upon any dispute referred to him under said act, or to affect any right in respect to, or arising out of, any contract mentioned in section 3 of said act, made on or subsequent to February 18, 1915, and prior to the first day of the calendar month next succeeding the date of the passage of this act, but so far as concerns any such contract said act of August 18, 1914, shall remain in force with the same effect as if this act has not been passed.

SEC. 22. That if any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

APPENDIX 2

EXTRACT FROM THE REPORT OF THE COMMITTEE ON AGRICULTURE OF THE HOUSE OF REPRESENTATIVES ON THE CHANGES WHICH WERE MADE BY THE AMENDMENTS OF MARCH 4, 1919, TO THE UNITED STATES COTTON FUTURES ACT

Under the present act the following 20 grades of cotton are deliverable upon contract:

White	Yellow tinged	Yellow stained	Blue stained
Middling fair. Strict good middling. Good middling. Strict middling. Middling. Strict low middling. Low middling. Strict good ordinary. Good ordinary.	Good middling. Strict middling. Middling. Strict low middling. Low middling.	Good middling. Strict middling. Middling.	Good middling. Strict middling. Middling.

Considerable low-grade cotton, under the present law, is tenderable, with the effect of greatly depressing the value of the contract, which is a basis for spot quotation. As amended, the act will permit the delivery upon contract of the following 10 grades:

White	Yellow tinged	Yellow stained
Middling fair. Strict good middling. Good middling. Strict middling. Middling. Strict low middling. Low middling.	Good middling. Strict middling.	Good middling.

APPENDIX 3

EXTRACT FROM THE ACT OF MAY 31, 1920. (41 STATUTES AT LARGE, PAGES 694, 725)

That the amendments relating to cotton provided for in section 6 of the act known as the wheat guarantee act, approved March 4, 1919, are hereby recognized and declared to be permanent legislation. (See footnote, p. 18.)

APPENDIX 4

(U. S. C., Title 26, Supp. IV, Section 736)

AN ACT To amend and reenact an act entitled "United States cotton futures act," approved August 11, 1916, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the act entitled "United States cotton futures act," approved August 11, 1916, as amended, be amended as follows:

In section 6, after the words "established by the sale of spot cotton," strike out the following words: "In the market where the future transaction involved occurs and is consummated, if such market be a bona fide spot market; and in the event there be no bona fide spot market at or in the place in which such future transaction occurs, then, and in that case, the said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof, upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract," so that section 6 as amended will read as follows:

"SEC 6. That for the purposes of section 5 of this act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the date fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract, established by the sale of spot cotton in the spot markets of not less than five places designated for the purpose from time to time by the Secretary of Agriculture, as such values were established by the sales of spot cotton, in such designated five or more markets: *Provided*, That for the purpose of this section such values in the said spot markets be based upon the standards for grades of cotton established by the Secretary of Agriculture: *And Provided further*, That whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades, such value shall be fixed in accordance with rules and regulations which shall be prescribed for the purpose by the Secretary of Agriculture."

Approved, February 26, 1927.

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